PHARMADRUG INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(EXPRESSED IN CANADIAN DOLLARS)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Pharmadrug Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Pharmadrug Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $432,505 during the year ended December 31, 2025. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Emphasis of Matter - *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Measurement, Classification and Modification of Convertible Debentures

Description of the matter

As more fully described in Note 5(d), in October 2025, the Company restructured its 2024 Debentures, which matured without payment in October 2025, by exchanging the outstanding indebtedness (principal and accrued interest for a total of $377,261) for new secured convertible debentures with principal amount of $445,685 (the "2025 Debentures").

The issuance of the 2025 Debentures was considered a non-substantial modification in accordance with IFRS 9, *Financial Instruments*, and accordingly a gain on modification of $19,020 was recorded in the statements of loss and comprehensive loss.

As more fully described in Note 5(a), in November 2025, the Company exercised its contractual right to extend the maturity date of its unsecured convertible debenture, which matured without payment on November 14, 2025, by exchanging the outstanding indebtedness of $1,186,575 for new convertible debentures with an aggregate principal amount of $1,245,904 (the "Replacement Debentures").

The issuance of the Replacement Debentures was considered a non-substantial modification in accordance with IFRS 9, *Financial Instruments*, and accordingly a gain on modification of $99,280 was recorded in the statements of loss and comprehensive loss

Both debentures were determined to be compound financial instruments and management applied judgment in assessing the accounting treatment for the individual components of the instrument. Notably whether the conversion feature qualified as a derivative liability or equity instrument based on the "fixed-for-fixed" requirement in IAS 32*, Financial Instruments: Presentation*.

The initial value of the financial liability component of both debentures was determined as the present value of the schedule payments. As the modifications were not substantial, the modified cash flows were discounted at the debentures original effective interest rate and the equity component of convertible debenture balances were unchanged.

Why *the matter is a key audit matter*
This matter represented an area of significant risk of material misstatement given the magnitude of the value of the debentures and the high degree of estimation uncertainty in determining whether the debentures met the conditions of a substantial debt modification as per IFRS 9.

Management applied judgment in assessing the accounting treatment of the debentures including whether the conversion feature met the "fixed-for-fixed" requirement to be classified as equity and in determining the appropriate discount rate to apply. This in turn, led to a high degree of auditor judgement and effort in performing procedures to test management's assumptions.

How the matter was addressed in the audit
The following were the primary procedures we performed to address this key audit matter:

- We reviewed the underlying agreements and evaluated whether management's interpretation in relation to accounting for the debentures was reasonable, markedly observing the fixed conversion price, as is a requirement for the "fixed-for-fixed" condition, being met;
- Performed quantitative assessment (the 10% test) and determined whether the debt restructurings constituted substantial modifications in accordance with IFRS 9; we concurred with management that the restructurings were not substantial in this context;
- Ensured the discount rate applied by the Company were consistent with original effective interest rates;
- Reviewed, recalculated and analyzed interest expense using effective interest rate method; and;
- Assessed the appropriateness and completeness of the related disclosures in the financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

- concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2026

PHARMADRUG INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2025	As at December 31, 2024
	$	$
Assets		
Current Assets		
Cash	**17,898**	75,038
Restricted cash	**5,346**	35,719
Sales tax receivables	**13,960**	23,013
Prepaid expenses	**-**	13,333
Total Current Assets	**37,204**	147,103
Intangible assets (Note 4)	**514,457**	564,701
Total Assets	**551,661**	711,804
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	**395,055**	607,173
Convertible debentures – current (Note 5)	**1,518,753**	1,348,969
Total Current Liabilities	**1,913,808**	1,956,142
Statute barred liabilities (note 15)	**291,100**	-
Total Liabilities	**2,204,908**	1,956,142
Shareholders' Deficit		
Share capital (Note 6)	**34,014,695**	33,989,695
Equity component of convertible debentures (Note 5)	**140,676**	143,476
Reserve for share-based payments (Note 7)	**3,311,149**	2,892,271
Reserve for warrants (Note 8)	**290,893**	709,771
Accumulated other comprehensive loss	**(29,981)**	(31,377)
Accumulated deficit	**(39,490,554)**	(39,107,177)
Non-controlling interest	**109,875**	159,003
Total Shareholders' Deficit	**(1,653,247)**	(1,244,338)
Total Liabilities and Shareholders' (Deficit) Equity	**551,661**	711,804

Nature of operations and going concern (Note 1)
Contingencies (Note 13)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"Paul McClory" (signed)
Director

"David Kideckel" (signed)
Director

PHARMADRUG INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

	2025	2024
	$	$
Expenses		
Management salaries and consulting fees (Note 9)	**36,000**	48,000
Professional fees	**104,407**	62,648
Office and general	**2,735**	1,999
Amortization of intangible assets (Note 4)	**50,244**	50,244
Filing fees	**18,923**	35,072
Business development	**13,624**	285,565
Share-based compensation (Note 7)	**-**	47,232
Research expense	**-**	137,898
	(225,933)	(668,658)
Loss before Other Income (Expenses)	**(225,933)**	(668,658)
Other Income (Expenses)		
Fair value change in investments	**-**	(11,939)
Finance costs (Note 5)	**(310,285)**	(273,868)
Other income (expenses) (Note 14)	**103,713**	79,684
Foreign exchange gain (loss)	**-**	1,626
	(206,572)	(204,497)
Net Loss before Income Taxes	**(432,505)**	(873,155)
Deferred income tax recovery (Note 16)	**-**	-
Net Loss	**(432,505)**	(873,155)
Other Comprehensive Loss		
Exchange (loss) gain on translation of foreign operations	**1,396**	(2,335)
Comprehensive Loss	**(431,109)**	(875,490)
Total Net Loss Attributable to:		
Shareholders of Pharmadrug Inc.	**(383,377)**	(793,267)
Non-Controlling Interest (Note 10)	**(49,128)**	(79,888)
Net Loss	**(432,505)**	(873,155)
Weighted Average Number of Outstanding Shares		
Basic and diluted	**108,119,311**	103,930,030
Loss per Share		
Basic and diluted ($)	**(0.004)**	(0.008)

The accompanying notes are an integral part of these consolidated financial statements

PHARMADRUG INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

	2025	2024
	$	$
Operating Activities		
Net loss for the year	**(432,505)**	(873,155)
Adjustments for non-cash items:		
Share-based compensation (Note 7)	**-**	47,232
Amortization of intangible assets	**50,244**	50,244
Unrealized (gain) loss on investments	**-**	11,939
(Gain) loss on modification of convertible debenture	**(118,300)**	36,423
Foreign exchange	**1,396**	-
Finance costs (Note 5)	**310,285**	273,870
	(188,880)	(453,447)
Net change in non-cash working capital items:		
Other receivables	**9,053**	(3,862)
Prepaid expenses	**13,333**	(8,333)
Accounts payable and accrued liabilities (Note 9)	**78,981**	(290,981)
Net Cash Flows (used in) Operating Activities	**(87,513)**	(756,623)
Financing Activities		
Proceeds from private placement financings (Note 6)	**-**	326,000
Share issue costs	**-**	(4,438)
Net Cash Flows provided by Financing Activities	**-**	321,562
Investing Activities		
Additions to intangible assets (Note 4)	**-**	(11,976)
Net Cash Flows used in Investing Activities	**-**	(11,976)
Change in cash	**(87,513)**	(447,037)
Effects of foreign exchange on cash	**-**	(2,335)
Cash and restricted cash, beginning of year	**110,757**	560,129
Cash and restricted cash, end of year	**23,244**	110,757
Supplemental Information		
Debts settled with issuance of common shares/units (Notes 6)	**25,000**	652,159

The accompanying notes are an integral part of these consolidated financial statements

PHARMADRUG INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	Amount	Equity Component of Debentures	Reserve for Share-Based Payments	Reserve for Warrants	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-Controlling Interest	Total
	#	$	$	$	$	$	$	$	$
Balance, December 31, 2023	**88,171,210**	**33,212,151**	**162,717**	**2,369,116**	**894,293**	**(45,604)**	**(38,297,348)**	**238,891**	**(1,465,784)**
Shares issued on private placement	6,520,000	234,370	-	-	91,630	-	-	-	**326,000**
Share issued costs	-	(4,440)	-	-	-	-	-	-	**(4,440)**
Share based compensation	-	-	-	47,232	-	-	-	-	**47,232**
Expiry of warrants	-	-	-	475,923	(475,923)	-	-	-	**-**
Conversion of debentures	13,043,170	547,614	(48,673)	-	153,216	-	-	-	**652,157**
Warrants issued with convertible debentures	-	-	29,432	-	46,555	-	-	-	**75,987**
Exchange gain on translation of foreign operations	-	-	-	-	-	(2,335)	-	-	**(2,335)**
Reclass OCI	-	-	-	-	-	16,562	(16,562)	-	**-**
Net loss for the year	-	-	-	-	-	-	(793,267)	(79,888)	**(873,155)**
Balance, December 31, 2024	**107,734,380**	**33,989,695**	**143,476**	**2,892,271**	**709,771**	**(31,377)**	**(39,107,177)**	**159,003**	**(1,244,338)**
Balance, December 31, 2024	**107,734,380**	**33,989,695**	**143,476**	**2,892,271**	**709,771**	**(31,377)**	**(39,107,177)**	**159,003**	**(1,244,338)**
Expiry of warrants	-	-	-	418,878	(418,878)	-	-	-	-
Shares issued on conversion of debenture (Note 5)	500,000	25,000	(2,800)	-	-	-	-	-	22,200
Exchange gain on translation of foreign operations	-	-	-	-	-	1,396	-	-	1,396
Net loss for the period	-	-	-	-	-	-	(383,377)	(49,128)	(432,505)
Balance, December 31, 2025	**108,234,380**	**34,014,695**	**140,676**	**3,311,149**	**290,893**	**(29,981)**	**(39,490,554)**	**109,875**	**(1,653,247)**

1. Nature of Operations and Going Concern

Pharmadrug Inc. ("Pharmadrug" or the "Company") is a specialty pharmaceutical company focused on the research, development and commercialization of controlled-substances and natural medicines such as psychedelics and naturally derived approved drugs. The Company owns 51% of Sairiyo Therapeutics Inc. ("Sairiyo"), a biotech Company that specializes in researching and reformulating established natural medicines with a goal of bringing them through clinical trials and the associated regulatory approval process.

The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol "PHRX". The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

The business of research, development and commercialization of natural medicines involves a high degree of risk, and there is no assurance that any prospective projects in these domains will be successfully initiated or implemented. Further, regulatory evolution and uncertainty may require the Company to alter its business plan to react to unforeseen changes.

For the year ended December 31, 2025, the Company incurred a net loss of $432,505 and negative cash flow from operations of $87,513, and as at December 31, 2025, the Company had an accumulated deficit of $39,490,554 (December 31, 2024 – deficit of $39,107,177). The Company's ability to continue as a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future, and deferring repayment on convertible debentures due within the next 12 months. Further, the majority of the Company's accounts payable are due on demand. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions, and the unpredictability of the research, development and commercialization of natural medicines business, represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on April 28, 2026.

2. Basis of Presentation (continued)

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments carried at fair value, as explained in the accounting policies as set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

Name	Jurisdiction	Percentage Owned
Pharmadrug Inc.	Ontario, Canada	100%
Aura Health Corp.	Ontario, Canada	100% (inactive)
Interrobang Ltd.	Ontario, Canada	100% (inactive)
Sairiyo Therapeutics Inc. ("Sairiyo")	Ontario, Canada	51%
Sairiyo Therapeutics Australia PTY	Australia	100% owned by Sairiyo
Green Global Properties Inc.	Delaware, U.S.	100% (inactive)
Securedose Synthetics Inc.	Ontario, Canada	100% (inactive)
Interrobang Tiel B.V.	Tiel, Netherlands	100% (inactive)

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(d) Functional Currency

These consolidated financial statements are presented in Canadian dollars ("$" or "CAD"), which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the Company operates.

The functional currency of the subsidiaries is: (i) CAD for Aura Health Corp., Interrobang Ltd. ("Interrobang"), Securedose Synthetics Inc. ("Securedose"), Sairiyo and Sairiyo Therapeutics Australia PTY, (ii) U.S. dollar ("USD") for Green Global Properties Inc., Interrobang Online Ltd. ("Interrobang Online") and (iii) Euro ("€" or "EUR") for Interrobang Tiel B.V.

(e) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Estimated useful lives, depreciation of property and equipment and amortization of intangible assets

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts which take into account factors such as economic conditions, market conditions and the useful lives of assets.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Estimated useful lives, depreciation of property and equipment and amortization of intangible assets (continued)

Amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

Impairment

Long-lived assets, including property and equipment and intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell ("FVLCS"). If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the CGU or group of CGUs to which goodwill has been allocated is valued using present value techniques. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to their carrying value. The determination of the recoverable amount involves significant estimates and assumptions. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model ("Black-Scholes"). This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate. Changes in these assumptions affect the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECL") for amounts receivable and all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Provisions

The Company recognizes provisions if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and the obligation can be reliably estimated. The amount recognized as a provision reflects management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Research and development costs

Judgment is required to distinguish the research phase and the development phase to correctly identify costs that qualify for capitalization.

Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which they operate. Determination of functional currency involves significant judgments and other entities may make different judgments based on similar facts. The Company reconsiders periodically the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine its primary economic environment.

Convertible debentures

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its convertible debentures. The fair values are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Management is required to make an estimate of the discount rate used in calculating the present value of the convertible debenture and related interest equal to the market rate that would be given for similar debt, without a conversion feature. Management determines this rate by assessing what rate the Company could borrow funds at from an unrelated party.

Shares issued for non-cash consideration

The Company measures equity-settled share-based payment transactions based on an estimate of the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the Company measures the fair value of the goods or services received based on the fair value of the equity instruments granted.

3. Summary of Material Accounting Policies

(a) Cash

Cash in the consolidated statements of financial position comprises cash at chartered banks in Canada, which is available on demand. In addition, a portion of the cash is held by Sairiyo. This cash is restricted in nature and may only be used to fund activities related to Sairiyo's specific projects. As such, while it is included in the total consolidated cash balance, it is not available for general corporate purposes.

(b) Financial Instruments

The Company classifies and measures financial instruments in accordance with IFRS 9 – Financial Instruments ("IFRS 9"). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities on the consolidated statements of financial position when it becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at FVTPL; (b) those to be measured subsequently at fair value through other comprehensive income (loss) ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's financial assets include cash, other receivables (excluding any sales tax amount) and other investments. The Company's financial liabilities include its accounts payable, statute barred liabilities and convertible debentures.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics do not meet the solely payment of principal and interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the consolidated statements of loss and comprehensive loss.

3. Summary of Material Accounting Policies (continued)

Financial assets at fair value through other comprehensive income

Debt and equity instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVTOCI. Movements in fair values are recognized in other comprehensive income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss recognized in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognized using the effective interest rate method and presented in "interest income". As at December 31, 2025 and 2024, the Company did not have any financial assets at FVTOCI.

Amortized cost

Debt and equity instruments that are held for collection of contractual cash flows where those cash flows represent Solely for Payment of Principal and Interest ("SPPI") are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

The Company's classification of financial assets and financial liabilities is summarized below:

Cash	FVTPL
Other receivables (excluding sales tax recoverable)	Amortized cost
Statute barred liabilities	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets, including equity investments, are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or OCI (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in OCI.

Expected credit loss impairment model

Under IFRS 9, the Company recognizes a provision for ECL on financial assets that are measured on amortized cost. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

3. Summary of Material Accounting Policies (continued)

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flow from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains or losses on derecognition are generally recognized in profit or loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss and comprehensive loss.

In situations where the convertible debentures contain contractual terms that result in the potential adjustment in the conversion or exercise price, the conversion feature does not meet equity classification and is accounted for as a derivative liability as the fair value is affected by changes in the fair value of the Company's common shares. The effect is that the debt component will be accounted for at amortized cost, with the derivative liability being measured at fair value with changes in value being recorded in profit or loss.

3. Summary of Material Accounting Policies (continued)

(d) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life, amortization method, and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is provided over the estimated useful lives as follows:

Supply relationship	Straight-line basis over 5 years
Licenses and permits	Straight-line basis over 5 years
Software	Straight-line basis over 5 years
Patents/licenses	Straight-line basis over useful life of 12 years

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the CGU or CGUs which are expected to benefit from the synergies of the combination. Goodwill has an indefinite useful life that is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment on goodwill is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated FVLCS and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any impairment loss for goodwill is recognized directly in profit or loss and any impairment loss recognized for goodwill is not reversed in subsequent periods. The company's goodwill balance as of December 31, 2025 and 2024 is $nil.

(e) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(f) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or OCI.

Current income tax is recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

3. Summary of Material Accounting Policies (continued)

Deferred tax is recorded for temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax‑related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(g) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined using Black-Scholes.

(h) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(i) Share-Based Payments Transactions

The Company operates a stock option plan (the "Option Plan"). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based compensation transactions is recognized as an expense with a corresponding increase in the reserve for share-based payments.

Amounts recorded for cancelled or expired unexercised options are transferred to contributed surplus in the period of which the cancellation or expiry occurs. Expired warrants are also transferred to contributed surplus.

Upon the exercise of stock options and warrants, proceeds received from the stock option or warrant holders are recorded as an increase to share capital and the related reserves are transferred to share capital.

3. Summary of Material Accounting Policies (continued)

(j) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted (loss) earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(k) Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than CAD are translated into CAD at the rate of exchange in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date's exchange rate. Foreign currency gains or losses resulting from translation are reflected in net comprehensive loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange.

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in OCI is transferred to profit or loss as part of the profit or loss on disposal.

On the disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest ("NCI"). In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in the reserve for foreign exchange.

(l) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Summary of Material Accounting Policies (continued)

(m) Research and Development Costs

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible assets and use or sell it;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

(n) New and Future Accounting Standards and Amendments

The Company adopted the following amendments effective January 1, 2025. These changes were made in accordance with the applicable transitional provisions. The Company had assessed that the adoption of these amendments did not have any material impact on the consolidated financial statements.

As at the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain new pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2025. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its consolidated financial statements:

- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments Introduces guidelines for assessing contingent cash flows, ESG-linked features, and updates disclosure requirements (effective for annual periods starting on or after January 1, 2025).

- IFRS 18, Presentation and Disclosure in Financial Statements – The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its "operating profit or loss". IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Management is currently assessing the impact of this standard.

(Expressed in Canadian Dollars)

4. Intangible Assets and Goodwill

	Licenses, Permits & Patent
	$
Cost at:	
December 31, 2023	**4,529,600**
Additions	11,976
December 31, 2024	**4,541,576**
Additions	-
December 31, 2025	**4,541,576**
Accumulated depreciation at:	
December 31, 2023	**3,926,631**
Amortization	50,244
December 31, 2024	**3,976,875**
Amortization	50,244
December 31, 2025	**4,027,119**
Net book value:	
December 31, 2024	564,701
December 31, 2025	**514,457**

During 2024, the Company capitalized costs related to the filing of a patent application for the use of cepharanthine and a taxane in the treatment of prostate cancer.

As at December 31, 2025 and December 31, 2024, the company conducted a qualitative impairment of intangible assets and concluded no indicators of impairment exist.

5. Convertible Debentures

(a) Replacement Debentures

On November 14, 2023, the Company agreed with the holders of debentures that matured without payment on July 17, 2023, to exchange the outstanding indebtedness for new unsecured convertible debentures with an aggregate principal amount of $1,280,756 (“Replacement Debentures”). The Company has the option to extend the maturity date up to two times for one-year extensions each time. If such option to extend is exercised, then at the extension time the principal of the debenture will be increased to reflect both any accrued and unpaid interest as well as a 5% renewal fee. The debentures will bear interest at a rate of 12% per annum payable quarterly. If the interest is not paid when due then interest will be charged on such outstanding interest at a rate of 15% per annum. The debentures may be converted into units ("**Units**") at a price of $0.35 per Unit with each Unit being comprised of one common share in the capital of the Company and one common share purchase warrant with each such warrant entitling the holder to acquire one common share in the capital of the Company at a price of $0.35 per share at any time on or before the three year anniversary of the issuance of the debentures. As a result of the fixed conversion price, the “fixed-for-fixed” condition was met, resulting in the conversion feature being accounted for as an equity instrument.

The conversion feature will not be exercisable by the holder if it would take their holdings of the Company above 10% of the outstanding common shares of the Company.

5. Convertible Debentures (continued)

The Replacement Debentures are compound financial instruments. The present value of the Replacement Debentures was valued at $1,118,038 on November 14, 2023. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The face value of the liability was calculated using a discount rate of 25%. The issuance of the Replacement Debentures was considered an extinguishment of the Replacement Debentures, and a loss on modification of $115,191 was recorded as other income during the year ended December 31, 2023.

The difference between the principal amount of the Replacement Debentures and the liability is allocated to the conversion feature, which was classified within equity, using the residual value method. Accretion of the liability portion and interest payable on the Replacement Debentures are included in finance costs in the consolidated statements of loss and comprehensive loss. As a result of the modification of the equity component, a gain of $86,227 was recorded during the year ended December 31, 2023.

In 2024, $352,159 of the Replacement Debentures were converted into units comprising of 7,043,170 common shares and 7,043,170 warrants (exercisable at $0.10 for a period of 2 years).

The Replacement Debentures matured on November 14, 2024. The Company did not repay the debentures at maturity and continued to accrue contractual interest and default interest in accordance with the debenture terms.

Pursuant to the original debenture agreement, the Company retained the contractual right to extend the maturity date for up to two additional one-year terms. On October 11, 2025, the Company formally exercised its first extension option and issued a replacement debenture certificate reflecting the revised principal amount in accordance with the debenture provisions.

In accordance with IFRS 9 Financial Instruments, the exercise of the extension option did not result in an extinguishment of the financial liability as the modification was made in accordance with the original contractual terms of the instrument. The Company performed the quantitative modification test under IFRS 9 and determined that the revised present value of the modified cash flows, discounted at the original effective interest rate, differed from the carrying amount of the liability immediately prior to modification of less than 10% and accordingly concluded the modification was not substantial.

As a result, the Company recognized a gain on modification of financial liability of $99,280 in the consolidated statement of loss for the year ended December 31, 2025.

The conversion feature of the debentures was not modified and continues to meet the “fixed-for-fixed” criteria under IAS 32. Accordingly, no adjustment was made to the equity component previously recognized on initial issuance of the Replacement Debentures in 2023.

Following the modification, the revised carrying amount of the liability is accreted to the new principal balance over the extended term using the original effective interest rate. Interest and default interest continue to be recognized in finance costs in accordance with the debenture terms.

Interest and accretion on the Replacement Debentures for the year ended December 31, 2025 was $219,154 (2024 - $200,808)

(b) Secured Convertible Debentures

The Company previously issued secured convertible debentures in 2022 and 2023 which were accounted for as compound financial instruments with equity conversion features. These debentures matured without repayment and were subsequently restructured into new debentures in October 2024. The restructuring was accounted for as an extinguishment of the original instruments and resulted in a loss on extinguishment of $36,423 recorded in 2024.

(Expressed in Canadian Dollars)

5. Convertible Debentures (continued)

(c) *2024 Debentures*

In October 2024, the Company exchanged the outstanding indebtedness of the prior secured convertible debentures for new senior secured convertible debentures (the "2024 Debentures") with a principal amount of $412,553 and issued 8,251,060 warrants. Each warrant was exercisable into common shares at an exercise price of $0.05 for a period of 2 years. The debentures mature one year from the date of issuance and are non-interest bearing (but subject to interest of 22% per annum from the date of maturity if not repaid on maturity). The transaction was accounted for as an extinguishment of the previous debentures and a loss on extinguishment of $36,423 was recorded in 2024. The 2024 Debentures were compound financial instruments with a liability component of $336,566 and equity components allocated to the conversion feature and warrants.

On March 25, 2025, 500,000 common shares were issued on the conversion of $25,000 of a 2024 Debentures.

(d) *2025 Debentures*

In October 2025, the Company and the holders of the 2024 Debentures agreed to restructure the debentures, which had matured without repayment on October 13, 2025. The outstanding indebtedness, including accrued interest totaling $384,625, was modified through the issuance of amended senior secured convertible debentures with an aggregate principal amount of $445,685 (the "2025 Debentures"). The debenture is secured by a general security agreement granting the debenture holder a first-ranking security interest over all assets of the Company. The debenture does not bear interest under normal circumstances. Upon the occurrence and continuance of an event of default (as defined in the debenture agreement), the outstanding principal amount and any accrued obligations will bear interest at a rate of 22% per annum (commencing from the date of default).

The Company assessed the modification under IFRS 9 and concluded that the revised terms were not substantially different from the original terms, as the present value of the modified cash flows discounted at the original effective interest rate did not differ by more than 10%. Accordingly, the modification was not accounted for as an extinguishment.

The carrying amount of the liability was adjusted to reflect the present value of the modified cash flows, resulting in a gain on modification of $19,020 recognized in the consolidated statement of loss for the year ended December 31, 2025. The 2025 Debentures continue to be classified as compound financial instruments. The conversion feature meets the "fixed-for-fixed" criteria under IAS 32 and is therefore classified as equity.

No warrants were issued in connection with the modification.

Interest and accretion expense totaling $91,131 relating to the debentures was recognized in finance costs during the year ended December 31, 2025.

Accretion of the liability portion and interest payable are included in finance costs in the consolidated statements of loss and comprehensive loss. The following table reflects the continuity of convertible debentures as at December 31, 2025 and December 31, 2024:

Balance, December 31, 2023	**1,766,821**
Interest and accretion expense	275,037
Extinguishment of Replacement Debentures	(377,297)
Issuance of 2024 Debentures	412,553
Conversion feature	(29,432)
Warrant value	(46,555)
Conversion of debentures	(652,159)
Balance, December 31, 2024	**1,348,968**
Interest and accretion expense	310,285
Extinguishment of 2024 Debentures	(118,300)
Conversion of debentures	(22,200)
Balance, December 31, 2025	**1,518,753**

(Expressed in Canadian Dollars)

6. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Common shares issued and outstanding as at December 31, 2025 and December 31, 2024 are as follows:

	Number of common shares	Amount
	#	$
Balance, December 31, 2023	**88,171,210**	**33,212,151**
Shares issued on private placement[(a)]	6,520,000	326,000
Share issue costs on private placement	-	(4,440)
Valuation of warrants issue as part of private placement units	-	(91,630)
Shares issued on conversion of debenture[(b)]	13,043,170	700,830
Valuation of warrants issued as part of debenture conversions	-	(153,216)
Balance, December 31, 2024	**107,734,380**	**33,989,695**
Shares issued on conversion of debenture[(c)]	500,000	25,000
Balance, December 31, 2025	**108,234,380**	**34,014,695**

Share capital transactions for the year ended December 31, 2024

(a) On February 8, 2024, the Company issued 6,520,000 units ("Units") at a purchase price of $0.05 per Unit for aggregate gross proceeds of up to $326,000. Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant being referred to herein as a "Warrant"). Each Warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.10 at any time up to February 8, 2026. The warrants were valued at $91,629 using Black-Scholes with the following assumptions: expected volatility of 184% based on historical share prices, expected dividend yield of 0%, risk-free rate of 4.20%, forfeiture rate of 0% and an expected life of two years. Legal costs incurred of $4,440 were accounted for as issuance costs, and a reduction of equity.

(b) During the year ended December 31, 2024, the Company issued 7,043,170 common shares on the conversion of $352,158 of Replacement Debentures Note 5(a). The debentures were converted into 7,043,170 common shares and 7,043,170 warrants, at a conversion price of $0.05. On conversion, $198,941 of the value was allocated to common shares, and the balance of $153,216 was allocated to warrants. The warrants were valued using Black-Scholes with the following assumptions: expected volatility of 188 - 211% based on historical share prices, expected dividend yield of 0%, risk-free rate of 3.25 - 4.20%, forfeiture rate of 0% and an expected life of two years.

During the year ended December 31, 2024, the Company issued 6,000,000 common shares on the conversion of $300,000 of Secured Debentures, at a conversion price of $0.05. Upon conversion, the value of the conversion feature originally recorded (in the amount of $48,673) was transferred from equity component of debentures, to share capital.

Share capital transactions for the year ended December 31, 2025

(c) On March 25, 2025, the Company issued 500,000 common shares on the conversion of $25,000 of 2024 Debentures, see Note 5. The debentures were converted into 500,000 common shares at a conversion price of $0.05. Upon conversion, the value of the conversion feature originally recorded (in the amount of $2,800) was transferred from equity component of debentures, and recorded as an increase in share capital.

(Expressed in Canadian Dollars)

7. Reserve for Share-Based Payments

The Company maintains the Option Plan, whereby certain key officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Option Plan is limited to 10% of the number of issued and outstanding common shares. Under the Option Plan, the exercise price of each option may not be less than the closing price of the Company's shares on the trading day prior to the grant date or the grant date itself, whichever is higher. Vesting terms are determined at the discretion of the Board.

As at December 31, 2025, the Company had 10,823,438 (December 31, 2024 - 10,773,438) common shares allowable for issuance under the Option Plan.

The following summarizes the stock option activity for the years ended December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	8,885,714	0.07	7,935,714	0.09
Granted	**-**	**-**	1,700,000	0.05
Expired	**(4,242,857)**	**0.06**	(750,000)	(0.35)
Outstanding, end of period	**4,642,857**	**0.07**	8,885,714	0.07
Exercisable, end of period	**4,642,857**	**0.07**	8,885,714	0.07

Option grants for the year ended December 31, 2024

On April 12, 2024, the Company granted 1,200,000 options to a consultant at an exercise price of \$0.05, expiring two years from the date of grant and vesting on the date of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 189% based on historical share prices, expected dividend yield of 0%, risk-free rate of 4.17%, forfeiture rate of 0% and an expected life of two years. The grant date fair value attributable to these options of \$33,071 was recorded as the share-based compensation during the year ended December 31, 2024.

On May 2, 2024, the Company granted 500,000 options to a director at an exercise price of \$0.05, expiring five years from the date of grant and vesting on the date of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 177% based on historical share prices, expected dividend yield of 0%, risk-free rate of 3.76%, forfeiture rate of 0% and an expected life of five years. The grant date fair value attributable to these options of \$14,161 was recorded as the share-based compensation during the year ended December 31, 2024.

No Option grants for the year ended December 31, 2025

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2025:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
February 4, 2026	85,714	85,714	0.595	0.10
August 30, 2026	107,143	107,143	0.42	0.66
November 7, 2028	2,750,000	2,750,000	0.055	2.85
April 12, 2026	1,200,000	1,200,000	0.05	0.28
May 2, 2029	500,000	500,000	0.05	3.34
	4,642,857	**4,642,857**	**0.07**	**2.14**

(Expressed in Canadian Dollars)

8. Reserve for Warrants

The following summarizes the warrant activity for the years ended December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted Average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**26,865,044**	**0.09**	12,887,957	0.25
Issued from private placement of units (note 6)	**-**	**-**	3,260,000	0.10
Issued on conversion of debentures (note 5)	**-**	**-**	7,043,170	0.10
Issued on restructuring of debentures (note 5)	**-**	**-**	8,251,060	0.05
Expired	**(8,310,814)**	**-**	(4,577,143)	(0.52)
Outstanding, end of year	**18,554,230**	**0.08**	26,865,044	0.09

The following table summarizes information of warrants outstanding as at December 31, 2025:

Date of expiry	**Number of Warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
February 8, 2026	3,260,000	0.10	0.01
November 14, 2026	6,543,170	0.10	0.87
August 26, 2026	500,000	0.10	0.65
November 15, 2026	8,251,060	0.05	0.87
	18,554,230	**0.08**	**0.73**

9. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
	$	$
Management salaries and consulting fees	**36,000**	48,000
Share based compensation	**-**	14,161
	36,000	62,161

Effective September 6, 2023, Pharmadrug and the former CEO entered into an executive agreement (resigned June 16, 2025), whereas the Company agreed to pay a monthly fee of $3,000 for CEO services. During 2025, the Company recorded management salaries of $nil (2024 - $12,000) in relation to the former CEO's consulting fees, as the CEO waived any fees for the year ended December 31, 2025. As at December 31, 2025, a balance of $nil (December 31, 2024 - $nil) owing to the former CEO was included in the accounts payable and accrued liabilities.

9. Related Party Transactions (continued)

Effective October 20, 2023, Pharmadrug and the CFO entered into an executive agreement, whereas the Company agreed to pay a monthly fee of $3,000 for CFO services. During 2025, the Company recorded management salaries of $36,000 (2024 - $36,000) in relation to the CFO's consulting fees. As at December 31, 2025, a balance of $53,092 (December 31, 2024 - $10,170) owing to the CFO was included in the accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation
The Company granted a total of 500,000 options to a director in the 2024 financial year, which vested in 2024. During the year ended December 31, 2024, total stock-based compensation of $14,161 was recorded in connection with the vesting of these options.

10. Non-Controlling Interest

On July 18, 2023, the Company sold 49% shareholdings of its subsidiary Sairiyo for $300,000. During 2025, the Company recorded a net loss of $49,128 (2024 - $79,888) attributable to the NCI.

11. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, equity component of convertible debentures, reserves for share-based payments and warrants, accumulated other comprehensive loss and accumulated deficit. As at December 31, 2025, the Company's capital consisted of deficit attributable to the shareholders of Pharmadrug Inc. of $(1,763,122) (December 31, 2024 – deficit attributable to the shareholders of Pharmadrug Inc. of $(1,403,341).

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and issuance of convertible debentures. There can be no assurance that the Company will be able to continue raising capital in this manner.

The Company is not subject to externally imposed capital requirements.

12. Financial Risks

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

(Expressed in Canadian Dollars)

12. Financial Risks (continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and other receivables, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with a reputable chartered bank in Canada, which is closely monitored. Management also reviews on a periodic basis the collectability of its receivables balance. As at December 31, 2025, management believes that the credit risk concentration with respect to financial instruments included in cash, and other receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing and investing activities. As at December 31, 2025, the Company had a cash balance of $23,244 (December 31, 2024 – $110,757), to settle current liabilities of $1,913,808 (December 31, 2024 – $1,956,142).

As at December 31, 2024, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	607,173	-	-	**607,173**
Convertible debentures	1,348,969	-	-	**1,348,969**
Total	**1,956,142**	**-**	-	**1,956,142**

As at December 31, 2025, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	395,055	-	-	**395,055**
Convertible debentures	1,518,753	-	-	**1,518,753**
Total	**1,913,808**	**-**	-	**1,913,808**

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

Management understands that the Company will continue to raise funds going forward in order to fund its planned activities.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices.

12. Financial Risks (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates. As at December 31, 2025, the Company had no hedging agreements in place with respect to floating interest rates.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company previously had operations in Europe where there were financial instruments and transactions denominated in EUR, and in the U.S. where there were financial instruments and transactions denominated in USD. Currently, the Company's primary exposure to foreign exchange risk is minimal, as all operations are based in Canada and the volume of transactions in foreign currencies is limited.

Fair value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, other receivables (excluding sales tax recoverable), accounts payable, and convertible debentures.

The fair value of other receivables (excluding sales tax recoverable), and accounts payable are approximately equal to their carrying value due to their short-term nature. The fair values of the lease liabilities and convertible debentures approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	23,244	-	-	**23,244**

As at December 31, 2025, the Company's financial instruments carried at fair value consisted of its cash, which is classified as Level 1. There were no transfers between Levels 2 and 3 for recurring fair value measurements during the years ended December 31, 2025 and 2024.

13. Contingencies

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Liabilities associated with legal proceedings are recorded when (i) the liabilities are a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligations, and (iii) a reliable estimate can be made of the amount of obligation.

14. Other Expenses (Income)

Other expenses (income) incurred during the years ended December 31, 2025 and 2024 are comprised of the following:

	2025	2024
	$	$
(Gain) loss on convertible debenture modification	**(118,300)**	36,423
Proceeds on claims settlement	**-**	(128,454)
Pre-commercial payment	**14,587**	13,683
Other miscellaneous income	**-**	(1,336)
	(103,713)	(79,684)

(Expressed in Canadian Dollars)

15. Statute barred liabilities

During the year ended December 31, 2025, the Company reclassified $291,100 (2024 – $nil) of accounts payable to statute-barred liabilities. These balances relate to historical trade payables for which the applicable statutory limitation period has expired.

Management has assessed these balances and determined that, notwithstanding the expiry of the statutory limitation period, the Company continues to recognize a present obligation due to the potential for settlement. Accordingly, the balances have not been derecognized and are rather presented as non-current liabilities.

The determination of whether a present obligation exists requires significant judgment, including consideration of legal enforceability, past practice, and the Company's intentions with respect to settlement.

The Company will reassess these balances periodically, and any derecognition of liabilities will be recognized in profit or loss in the period in which the obligation is extinguished.

16. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2024 – 26.5%) to the effective tax rate is as follows:

	2025	2024
	$	$
Net loss before recovery of income taxes provision:	**(432,505)**	(873,153)
Expected income tax recovery	**(114,614)**	(231,386)
Change in prior period loss carryforwards	**(2,591,628)**	
Tax rate changes and other adjustments	**1,144,400**	57,936
Share-based compensation and non-deductible expenses	**(14,071)**	61,205
Change in tax benefits not recognized	**1,575,912**	112,244
Deferred income tax (recovery) expense	**-**	-

Deferred tax

The following table summarizes the components of deferred tax:

	2025	2024
	$	$
Deferred Tax Assets		
Non-capital losses carried forward – Canada		241,583
Capital losses carried forward – Canada		14,087
Deferred Tax Liabilities		
Other investments	**(105,766)**	(105,766)
Intangibles	**(160,896)**	(172,865)
Convertible debentures	**38,336**	38,336
Net deferred tax liabilities	**692,305**	(17,869)

(Expressed in Canadian Dollars)

16. Income Taxes (continued)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred liabilities:

	2024	2024
	$	$
Balance, beginning of year	**-**	-
Recognized in profit or loss	**692,305**	-
Balance, end of year	**692,305**	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2025	2024
	$	$
Share issuance costs	**2,664**	3,552
Net operating losses carried forward – U.S.	**489,068**	614,205
Non-capital losses carried forward – Canada	**17,057,551**	10,984,688
Other temporary differences	**148,179**	148,179

The Canadian non-capital loss carry-forwards expire as noted in the table below.

Share issuance and financing costs will be fully amortized in 2024. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

	$
2029	**97,487**
2030	**186,820**
2031	**92,257**
2032	**650,518**
2033	**569,884**
2034	**295,568**
2035	**396,024**
2036	**902,328**
2037	**59,482**
2038	**1,061,958**
2039	**4,430,885**
2040	**2,026,443**
2041	**1,125,822**
2042	**1,653,113**
2043	**2,632,418**
2044	**631,736**
2045	**513,683**
	17,326,426

(Expressed in Canadian Dollars)

16. Income Taxes (continued)

The Company's U.S. net operating losses expire as follows:

	$
2037	176,752
Indefinite	460,987
	637,739

17. Subsequent events

In January 2026, Company completed the first tranche of its strategic investment in Canurta.

On January 5, 2026, the Company acquired 8,109,987 limited partnership units of Canurta, representing an initial approximate 19.9% interest, in exchange for the issuance of 25,980,000 common shares at a deemed price of 0.0152 per share.

The transaction is structured to be completed in two tranches, pursuant to which the Company may acquire up to a 40% interest in Canurta through the issuance of an aggregate of 83,645,316 common shares. The second tranche, expected to close mid- 2026, remains subject to shareholder approval in accordance with Canadian Securities Exchange requirements.

Upon completion of both tranches, Canurta stakeholders are expected to hold approximately 44% of the Company's issued and outstanding shares on a pro forma basis, resulting in a significant strategic alignment between the parties.

The Company views the investment as a key step in advancing its strategy to develop and commercialize natural medicines, including progressing its cepharanthine program and supporting Canurta's broader intellectual property portfolio and clinical pipeline.

The definitive agreement includes milestone-based provisions, including a rescission right whereby Canurta's limited partners may require the return of transferred units if certain milestones are not achieved within agreed timelines. In such case, the corresponding shares issued by the Company would be cancelled and returned to treasury.

In connection with the transaction, Canurta advanced $85,000 to the Company pursuant to a forgivable promissory note bearing interest at 12% per annum, providing short-term working capital support.